

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

REPORT OF AUDIT  
Year Ended June 30, 2008

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## INDEPENDENT AUDITOR'S REPORT

September 30, 2008

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Whitley County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, and Appendix III to the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2008, on our consideration of Whitley County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

## **Marr, Miller & Myers, PSC**

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The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted auditing standards. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Whitley County School District's basic financial statements. The additional information shown on pages 36 through 50 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 41 through 43 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Marr, Miller & Myers, PSC*  
Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008

As management of the Whitley County School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**SUPERINTENDENTS' REVIEW OF THE YEAR**

- The District continued to refine curriculum and exit criteria for all grade levels with committees of teachers representing primary, intermediate, middle and high school grade levels.
- The District built leadership capacity among teachers by placing them as Action Component Leaders in development of the School Improvement Plans.
- All schools presented disaggregated data from CATS test results and plans for school improvement to the Board of Education.
- *Bits and Bytes of Whitley County* is a monthly newsletter published to assist teachers in using the Internet to enhance instruction.
- Technology Tidbits monthly email to inform staff of exciting and new technology information that can be used in the classroom.
- The focus on improved writing throughout the District remained a priority with the continued employment of our writing/literacy specialist and the continuation of the contract of our math/science resource teacher in collaboration the ARSI/AMSP. Both specialists provided a variety of content specific professional development activities for teachers, as well as in-class assistance.
- The District increased its focus on student achievement through providing professional development including:
  - No Child Left Behind
  - Assisting Lower Achieving Students in the Classroom
  - Grade Level Academies
  - Accelerated Math
  - Modifying Instruction for Diverse Learners
  - Improving Student Motivation
  - Classroom Behavior Management
  - Curriculum Alignment
  - Building Positive Parent Relations
  - Riverdeep
  - KET Encyclomedia
  - SmartBoard software instruction
- The District continued its efforts to effectively integrate technology and curriculum through professional development activities which included:
  - PowerPoint
  - Primary Level Software Exploration
  - Intermediate Level Software Exploration
  - Using the Internet
  - Microsoft Word

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- Excel Spreadsheet
  - Plato
  - Smart Boards
  - GRADE Diagnostic Reading Assessment
  - Technology and Literature
  - Weather station
  - Riverdeep software
  - iMACS
  - Document Cameras
- 
- Continued the Read to Achieve, Reading Recovery and Early Incentive Reading programs targeting at-risk readers in the elementary schools.
  - The high school and middle school became part of a three year RAND research grant which provided the Carnegie Algebra I curriculum and resources for all Algebra I classes. Carnegie is a comprehensive, research-based program designed so that students spend forty percent of instructional time using the Cognitive Tutor software.
  - Whitley Central Intermediate and Primary Schools entered into a collaborative program with Save the Children designed to improve the literacy levels of at-risk students. Services are targeted to struggling readers both during the school day and in an after-school program.
  - Continued the Y.O.U. (Youth Opportunities Unlimited) program targeting students at-risk of dropping out of school. This program assists with credit completion and employment opportunities.
  - Continued support to Rockholds Opportunity Center for students in Grades 7-12 who are not succeeding in a traditional school environment.
  - The 21<sup>st</sup> Century Community Learning Grant provided many after-school and weekend opportunities and field trips for our students.
  - PRIDE Grants were awarded to several schools in the Whitley County School District.
  - Continued the Fleet Improvement Plan with the purchase of 4 new school buses.
  - All schools are connected with fiber allowing centralization of servers. The "server farm" is housed on the fourth floor of the central office building.
  - Installed sidewalks and curbs along Boulevard of Champions to permit safe travel for pedestrians and control runoff.
  - Upgrades to several schools to include new granite flooring for WCNE, WCP and WCHS libraries.
  - Installed additional air conditioning in the library at WCHS
  - Converted the band room at WCHS into two classrooms and two special needs instructional areas.
  - Completed extensive renovation of the Annex A office building.
  - Began construction on a new Early Childhood Center at Oak Grove Elementary School.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008

- Remodel of the lobby area of Whitley Central Primary School.
- All buildings in the District are utilizing Automated Logic, a digital energy control system.
- Installed Mac lab in conjunction with the Kentucky Datastream Initiative at Whitley Central Intermediate School and at Whitley County Middle School.
- Installed iMACs at the High School to enhance foreign language, visual and performing arts, and Media production.

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$8,137,135 in 2008 and \$10,318,234 in 2007. This is a decrease of \$2,181,099. Restricted funds comprised \$5,918,597 of the cash balance at June 30, 2008 as compared to \$6,185,648 at June 30, 2007. General Fund cash decreased \$1,185,322 from 2007 to 2008.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel. This resulted in several economies due to changed management strategies.
- Earnings on investments decreased \$203,759 due to expending available monies on construction projects.
- The General Fund had \$33,747,452 in revenue, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$34,694,240 in General Fund expenditures.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District's total bonded debt decreased by \$1,305,000 during the current fiscal year.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and management of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are vending and food service operations, community education and day care operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 35 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Net Assets for the period ending June 30, 2008

Fiscal year 2008 government-wide net assets compared to 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 10,225,587	\$ 11,708,781
Capital assets	<u>40,898,020</u>	<u>36,620,221</u>
Total Assets	<u>\$ 51,123,607</u>	<u>\$ 48,329,002</u>
Current liabilities	\$ 3,170,738	\$ 3,805,018
Noncurrent liabilities	<u>24,517,680</u>	<u>22,735,339</u>
Total Liabilities	<u>\$ 27,688,418</u>	<u>\$ 26,540,357</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008

	<u>2008</u>	<u>2007</u>
Net assets		
Investment in capital assets, net of related debt	\$ 15,318,894	\$ 13,029,074
Restricted	5,602,193	4,771,938
Unrestricted	<u>2,514,102</u>	<u>3,987,633</u>
Total Net Assets	<u>\$ 23,435,189</u>	<u>\$ 21,788,645</u>

The most significant change in the financial position of the District since the last audit was the acquisition of capital assets in the amount of \$5,795,569. The District also had an overall increase in liabilities of \$1,148,061.

The following table presents a summary of revenues and expenditures, for Governmental Funds only, for the fiscal years ended June 30:

	<u>2008</u>	<u>Percent</u>	<u>2007</u>	<u>Percent</u>
<b>REVENUES</b>				
Local revenue sources	\$ 4,788,462	10.07 %	\$ 4,991,007	11.47 %
State revenue sources	34,118,248	71.71	31,566,090	72.55
Federal sources	5,024,363	10.56	6,200,342	14.25
Operating transfers (net)	360,322	.76	246,222	.57
Proceeds from sale of assets	19,002	.04	6,479	.01
Bond proceeds	3,265,000	6.86	-	-
Lease proceeds	-	-	499,080	1.15
Total revenues	<u>47,575,397</u>	<u>100.00</u>	<u>43,509,220</u>	<u>100.00</u>
<b>EXPENDITURES</b>				
Instruction	26,465,865	55.63	26,047,421	59.87
Student support services	1,832,223	3.85	1,550,335	3.56
Instructional staff	2,358,247	4.96	2,790,636	6.41
District administration	1,024,435	2.15	1,056,276	2.43
School administration	1,901,048	4.00	1,695,165	3.90
Business	584,088	1.23	525,689	1.21
Plant operation and management	3,749,119	7.88	3,372,524	7.75
Student transportation	3,703,110	7.78	2,726,808	6.27
Facilities acquisition and construction	4,139,723	8.70	7,108,840	16.34
Community services activities	696,034	1.46	625,890	1.43
Bond issuance costs/discount	51,885	.11	-	-
Debt service/lease payments	1,466,706	3.08	1,354,240	3.11
Total expenditures	<u>47,972,483</u>	<u>100.83</u>	<u>48,853,824</u>	<u>112.28</u>
Excess revenues (expenditures)	<u>\$ (397,086)</u>	<u>(.83)%</u>	<u>\$ (5,344,604)</u>	<u>(12.28)%</u>

The majority of the District's revenue was derived from state revenue sources making up 71.71% of their revenue in 2008 as compared to 72.55% in 2007. Local revenue sources comprised 10.07% in 2008 as compared to 11.47% in 2007.

Instructional expenditures comprised 55.63% of the District's expenses for 2008 as compared to 59.87% in 2007. Facilities acquisition and construction comprised 8.70% of the District's expenses for 2008 as compared to 16.34% in 2007. Plant operation and management was the next largest consumption of revenues at 7.88% in 2008 as compared to 7.75% in 2007. Capital assets of \$5,795,569 were charged to expenditures in 2008.

WHITLEY COUNTY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008

**Comments on Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2008 were \$33,747,452.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$6,521,912 more than budget or 23.96%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$6,415,107 that were not budgeted. When these are eliminated, revenues compared to budget were \$106,805 or .39% more than anticipated.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2008 was \$34,694,240.
- General fund budget expenditures to actual varied significantly in instruction support with them being \$3,797,347 over budget primarily due to on-behalf state payments of \$6,415,107, which were not budgeted. Additionally, instructional staff closed with a budget deficit of \$344,324. Student transportation closed with a budget deficit of \$750,785. Student support services ended with a budget deficit of \$307,415. School administration closed with a budget deficit of \$421,706.

In Kentucky, the public school fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a 2007-08 budget with \$2,130,805 in contingency (7.83%).

**Future Budget Implications**

The District adopted a budget for 2008-09 with \$4,660,528 in contingency (9.7%). Significant Board action that impacts the finances includes a 1% salary increase for certified and classified personnel, the purchase of five new school buses, and a number of special projects to improve and upgrade schools in the District.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Leigh Burke, Director of Financial Services at (606) 549-7000 or by mail at 300 Main Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT  
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STATEMENT OF NET ASSETS  
June 30, 2008

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 7,550,989	\$ 586,146	\$ 8,137,135
Accounts receivable:			
Taxes – current	221,355	-	221,355
Accounts receivable	368,173	6,934	375,107
Intergovernmental – state	248,758	-	248,758
Intergovernmental – federal	941,940	48,280	990,220
Materials and supplies inventory	-	91,392	91,392
Other current assets	161,620	-	161,620
Total current assets	<u>9,492,835</u>	<u>732,752</u>	<u>10,225,587</u>
<b>NONCURRENT ASSETS</b>			
Capital assets, net	<u>40,442,648</u>	<u>455,372</u>	<u>40,898,020</u>
Total noncurrent assets	<u>40,442,648</u>	<u>455,372</u>	<u>40,898,020</u>
<b>TOTAL ASSETS</b>	<u>49,935,483</u>	<u>1,188,124</u>	<u>51,123,607</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	156,759	75,200	231,959
Construction contracts retainage	140,585	-	140,585
Construction contracts payable	221,034	-	221,034
Matured coupons outstanding	112,685	-	112,685
Accrued wages and benefits	580,522	-	580,522
Deferred revenue	435,338	-	435,338
Current portion of bond obligations	1,315,000	-	1,315,000
Current portion of lease obligations	133,615	-	133,615
Total current liabilities	<u>3,095,538</u>	<u>75,200</u>	<u>3,170,738</u>
<b>NONCURRENT LIABILITIES</b>			
Noncurrent portion of bond obligations	23,668,801	-	23,668,801
Noncurrent portion of lease obligations	461,710	-	461,710
Noncurrent portion of accrued sick leave	387,169	-	387,169
Total noncurrent liabilities	<u>24,517,680</u>	<u>-</u>	<u>24,517,680</u>
<b>TOTAL LIABILITIES</b>	<u>27,613,218</u>	<u>75,200</u>	<u>27,688,418</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	14,863,522	455,372	15,318,894
Restricted for:			
Debt service	666,105	-	666,105
Capital projects	4,936,088	-	4,936,088
Unrestricted	1,856,550	657,552	2,514,102
TOTAL NET ASSETS	<u>\$ 22,322,265</u>	<u>\$ 1,112,924</u>	<u>\$ 23,435,189</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES  
June 30, 2008

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 27,087,338	\$ 69,916	\$ 6,165,584	\$ -	\$(20,851,838)		\$(20,851,838)
Support services:							
Student	1,856,375	-	372,840	-	(1,483,535)		(1,483,535)
Instructional staff	2,041,740	-	546,908	-	(1,494,832)		(1,494,832)
District administration	1,069,907	-	5,095	-	(1,064,812)		(1,064,812)
School administration	1,913,798	-	59,387	-	(1,854,411)		(1,854,411)
Business	577,247	-	1,271	-	(575,976)		(575,976)
Plant operation and management	3,760,739	19,600	-	-	(3,741,139)		(3,741,139)
Student transportation	2,468,872	-	37,115	-	(2,431,757)		(2,431,757)
Central office	2,922	-	-	-	(2,922)		(2,922)
Facilities acquisition and construction	199,819	-	-	1,867,605	1,667,786		1,667,786
Community services activities	696,604	106,703	589,780	-	(121)		(121)
Interest on long-term debt	695,878	-	-	-	(695,878)		(695,878)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 42,371,239</u>	<u>\$ 196,219</u>	<u>\$ 7,777,980</u>	<u>\$ 1,867,605</u>	<u>\$(32,529,435)</u>		<u>\$(32,529,435)</u>
BUSINESS-TYPE ACTIVITIES:							
Food service	\$ 2,959,843	\$ 421,753	\$ 2,234,388	\$ -		\$ (303,702)	(303,702)
Day care	159,087	149,253	-	-		(9,834)	(9,834)
Community education	2,297	70	-	-		(2,227)	(2,227)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,121,227</u>	<u>\$ 571,076</u>	<u>\$ 2,234,388</u>	<u>\$ -</u>		<u>\$(315,763)</u>	<u>\$(315,763)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 45,492,466</u>	<u>\$ 767,295</u>	<u>\$ 10,012,368</u>	<u>\$ 1,867,605</u>			<u>\$(32,845,198)</u>
GENERAL REVENUES							
Taxes							
Property					1,972,638	-	1,972,638
Motor vehicle					689,352	-	689,352
Utilities					1,114,707	-	1,114,707
State and formula grants					29,300,807	-	29,300,807
Earnings on investments					491,335	40,512	531,847
Gain (loss) on the sale of assets					1,227	-	1,227
Other					520,430	412	520,842
Total general revenues					34,090,496	40,924	34,131,420
Operating transfers (net)					360,322	-	360,322
Total general revenues and transfers					<u>34,450,818</u>	<u>40,924</u>	<u>34,491,742</u>
Change in net assets					1,921,383	(274,839)	1,646,544
Net assets, July 1, 2007					20,400,882	1,387,763	21,788,645
Net assets, June 30, 2008					<u>\$ 22,322,265</u>	<u>\$ 1,112,924</u>	<u>\$ 23,435,189</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
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BALANCE SHEETS  
GOVERNMENTAL FUNDS  
June 30, 2008

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 2,356,591	\$ (724,199)	\$ 5,918,597	\$ 7,550,989
Accounts receivable:				
Taxes – current	221,355	-	-	221,355
Accounts receivable	357,877	10,296	-	368,173
Intergovernmental – state	-	248,758	-	248,758
Intergovernmental – federal	-	941,940	-	941,940
Other current assets	3,720	-	157,900	161,620
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 2,939,543</u>	<u>\$ 476,795</u>	<u>\$ 6,076,497</u>	<u>\$ 9,492,835</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 115,302	\$ 41,457	\$ -	\$ 156,759
Construction contracts retainage	-	-	140,585	140,585
Construction contracts payable	-	-	221,034	221,034
Matured coupons outstanding	-	-	112,685	112,685
Accrued wages and benefits	580,522	-	-	580,522
Deferred revenue	-	435,338	-	435,338
<b>TOTAL LIABILITIES</b>	<u>695,824</u>	<u>476,795</u>	<u>474,304</u>	<u>1,646,923</u>
<b>FUND BALANCES</b>				
Unreserved, reported in:				
General fund	2,243,719	-	-	2,243,719
Reserved, reported in:				
Capital project funds	-	-	4,936,088	4,936,088
Debt service fund	-	-	666,105	666,105
<b>TOTAL FUND BALANCES</b>	<u>2,243,719</u>	<u>-</u>	<u>5,602,193</u>	<u>7,845,912</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,939,543</u>	<u>\$ 476,795</u>	<u>\$ 6,076,497</u>	<u>\$ 9,492,835</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
June 30, 2008

**Total Fund Balances per fund financial statements** **\$ 7,845,912**

Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources, but they are  
reported in the statement of net assets 40,442,648

Certain liabilities, such as bonds payable, the long-term portion of accrued sick leave and lease  
obligations are not reported in this fund financial statement because they are not due and  
payable in the current period, but they are presented in the statement of net assets:

Accrued sick leave	\$ (387,169)	
Bonds payable	(24,983,801)	
Lease obligations	<u>(595,325)</u>	<u>(25,966,295)</u>

**Total Net Assets for Governmental Activities** **\$ 22,322,265**

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	<u>General Fund</u>	<u>Special Revenue</u>
<b>REVENUES</b>		
From local sources:		
Taxes		
Property	\$ 1,644,652	\$ -
Motor vehicle	689,352	-
Utilities	1,114,707	-
Earnings on investments	268,550	2,251
Other local revenues	344,361	176,069
Intergovernmental – state	29,476,675	2,773,967
Intergovernmental – indirect federal	-	4,648,211
Intergovernmental – direct federal	209,155	166,997
<b>TOTAL REVENUES</b>	<u>33,747,452</u>	<u>7,767,495</u>
<b>EXPENDITURES</b>		
Instruction	20,289,442	6,176,423
Support services:		
Student	1,459,383	372,840
Instructional staff	1,811,339	546,908
District administration	1,019,340	5,095
School administration	1,841,660	59,388
Business	582,817	1,271
Plant operation and management	3,749,119	-
Student transportation	3,665,994	37,116
Facilities acquisition and construction	141,670	-
Community services activities	105,787	590,247
Payment of bonds/debt service	27,689	-
Payment of lease obligation	-	72,127
Payment of interest	-	-
<b>TOTAL EXPENDITURES</b>	<u>34,694,240</u>	<u>7,861,415</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(946,788)</u>	<u>(93,920)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Bond proceeds	-	-
Bond discount	-	-
Bond issuance costs	-	-
Operating transfers in	160,322	93,920
Operating transfers out	(459,877)	-
Proceeds from sale of assets	19,002	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(280,553)</u>	<u>93,920</u>
<b>NET CHANGES IN FUND BALANCES</b>	(1,227,341)	-
<b>FUND BALANCES, JULY 1, 2007</b>	<u>3,471,060</u>	-
<b>FUND BALANCES, JUNE 30, 2008</b>	<u>\$ 2,243,719</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



Other Governmental Funds	Total Governmental Funds
--------------------------------	--------------------------------

\$ 327,986	\$ 1,972,638
-	689,352
-	1,114,707
220,534	491,335
-	520,430
1,867,606	34,118,248
-	4,648,211
-	376,152
<u>2,416,126</u>	<u>43,931,073</u>

-	26,465,865
---	------------

-	1,832,223
-	2,358,247
-	1,024,435
-	1,901,048
-	584,088
-	3,749,119
-	3,703,110
3,998,053	4,139,723
-	696,034
671,012	698,701
-	72,127
<u>695,878</u>	<u>695,878</u>
<u>5,364,943</u>	<u>47,920,598</u>
<u>(2,948,817)</u>	<u>(3,989,525)</u>

3,265,000	3,265,000
(16,325)	(16,325)
(35,560)	(35,560)
5,145,962	5,400,204
(4,580,005)	(5,039,882)
-	19,002
<u>3,779,072</u>	<u>3,592,439</u>

830,255	(397,086)
---------	-----------

<u>4,771,938</u>	<u>8,242,998</u>
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<u>\$ 5,602,193</u>	<u>\$ 7,845,912</u>
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WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

**Total Net Change In Fund Balances – per fund financial statements** **\$ (397,086)**

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives as depreciation expense. This is the amount by which capital outlays  
exceeded depreciation in the current period:

Depreciation	\$(1,665,962)	
Capital outlays	<u>5,795,569</u>	4,129,607

In the statement of activities, gain (loss) is recorded on the sale of assets, whereas in governmental funds, only the proceeds are reported.	(17,775)
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Bond proceeds are reported as other financing sources in the governmental funds but are shown as an increase in long-term liabilities in the statement of net assets and does not result in revenue in the statement of activities.	(3,265,000)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not result in an expense in the statement of activities.	1,305,000
---	-----------

Payment on the lease obligation is an expenditure in the governmental funds, but the payment reduces noncurrent lease obligations in the statement of net assets and does not result in an expense in the statement of activities.	132,593
--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as accrued sick leave.	<u>34,044</u>
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<b>Change In Net Assets of Governmental Activities</b>	<b><u>\$ 1,921,383</u></b>
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The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Taxes				
Property	\$ 1,780,000	\$ 1,780,000	\$ 1,644,652	\$ (135,348)
Motor vehicle	600,000	600,000	689,352	89,352
Utilities	1,000,000	1,000,000	1,114,707	114,707
Earnings on investments	255,000	255,000	268,550	13,550
Other local revenues	432,672	432,672	344,361	(88,311)
Intergovernmental – state	23,057,868	23,057,868	29,476,675	6,418,807
Intergovernmental – direct federal	100,000	100,000	209,155	109,155
TOTAL REVENUES	<u>27,225,540</u>	<u>27,225,540</u>	<u>33,747,452</u>	<u>6,521,912</u>
EXPENDITURES				
Instruction	16,492,095	16,492,095	20,289,442	(3,797,347)
Support services:				
Student	1,151,968	1,151,968	1,459,383	(307,415)
Instructional staff	1,467,015	1,467,015	1,811,339	(344,324)
District administration	1,005,841	1,005,841	1,019,340	(13,499)
School administration	1,419,954	1,419,954	1,841,660	(421,706)
Business	449,863	449,863	582,817	(132,954)
Plant operation and management	3,356,730	3,356,730	3,749,119	(392,389)
Student transportation	2,915,209	2,915,209	3,665,994	(750,785)
Facilities acquisition and construction	169,000	169,000	141,670	27,330
Community services activities	83,576	83,576	105,787	(22,211)
Contingency	2,130,805	2,130,805	27,689	2,103,116
TOTAL EXPENDITURES	<u>30,642,056</u>	<u>30,642,056</u>	<u>34,694,240</u>	<u>(4,052,184)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,416,516)</u>	<u>(3,416,516)</u>	<u>(946,788)</u>	<u>2,469,728</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	179,500	179,500	160,322	(19,178)
Operating transfers out	(93,920)	(93,920)	(459,877)	(365,957)
Lease proceeds	449,172	449,172	-	(449,172)
Proceeds from sale of assets	5,000	5,000	19,002	14,002
TOTAL OTHER FINANCING SOURCES (USES)	<u>539,752</u>	<u>539,752</u>	<u>(280,553)</u>	<u>(820,305)</u>
NET CHANGES IN FUND BALANCE	(2,876,764)	(2,876,764)	(1,227,341)	1,649,423
FUND BALANCE, JULY 1, 2007	<u>2,876,764</u>	<u>2,876,764</u>	<u>3,471,060</u>	<u>594,296</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,243,719</u>	<u>\$ 2,243,719</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

<u>ASSETS</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 568,096	\$ 16,680	\$ 1,370	\$ 586,146
Materials and supplies inventory	91,392	-	-	91,392
Accounts receivable:				
Accounts receivable	3,398	3,536	-	6,934
Intergovernmental – federal	48,280	-	-	48,280
Total current assets	<u>711,166</u>	<u>20,216</u>	<u>1,370</u>	<u>732,752</u>
<b>NONCURRENT ASSETS</b>				
Capital assets, net	455,372	-	-	455,372
<b>TOTAL ASSETS</b>	<u>1,166,538</u>	<u>20,216</u>	<u>1,370</u>	<u>1,188,124</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	75,200	-	-	75,200
Total current liabilities	<u>75,200</u>	<u>-</u>	<u>-</u>	<u>75,200</u>
<b>NET ASSETS</b>				
Investment in capital assets	455,372	-	-	455,372
Unrestricted	635,966	20,216	1,370	657,552
<b>TOTAL NET ASSETS</b>	<u>\$ 1,091,338</u>	<u>\$ 20,216</u>	<u>\$ 1,370</u>	<u>\$ 1,112,924</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
OPERATING REVENUES				
Tuition and fees	\$ -	\$ 149,253	\$ 70	\$ 149,323
Sales	421,753	-	-	421,753
Other operating revenues	<u>-</u>	<u>-</u>	<u>412</u>	<u>412</u>
TOTAL OPERATING REVENUES	<u>421,753</u>	<u>149,253</u>	<u>482</u>	<u>571,488</u>
OPERATING EXPENSES				
Salaries	906,969	121,737	-	1,028,706
Employee benefits	378,075	23,316	-	401,391
Purchased services	26,486	430	926	27,842
Supplies and materials	1,214,362	9,439	932	1,224,733
Depreciation	67,124	-	-	67,124
Operating transfers	360,322	-	-	360,322
Other operating expenses	<u>6,505</u>	<u>4,165</u>	<u>439</u>	<u>11,109</u>
TOTAL OPERATING EXPENSES	<u>2,959,843</u>	<u>159,087</u>	<u>2,297</u>	<u>3,121,227</u>
OPERATING INCOME (LOSS)	<u>(2,538,090)</u>	<u>(9,834)</u>	<u>(1,815)</u>	<u>(2,549,739)</u>
NON-OPERATING REVENUES (EXPENSES)				
Operating grants – federal	2,027,653	-	-	2,027,653
Operating grants – state	206,735	-	-	206,735
Interest income	<u>39,529</u>	<u>863</u>	<u>120</u>	<u>40,512</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,273,917</u>	<u>863</u>	<u>120</u>	<u>2,274,900</u>
CHANGES IN NET ASSETS	(264,173)	(8,971)	(1,695)	(274,839)
NET ASSETS, JULY 1, 2007	<u>1,355,511</u>	<u>29,187</u>	<u>3,065</u>	<u>1,387,763</u>
NET ASSETS, JUNE 30, 2008	<u>\$ 1,091,338</u>	<u>\$ 20,216</u>	<u>\$ 1,370</u>	<u>\$ 1,112,924</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from tuition and fees	\$ -	\$ 153,519	\$ 70	\$ 153,589
Cash received from sales	419,788	-	-	419,788
Other cash receipts	-	-	412	412
Cash payments for salaries and employee benefits	(1,285,044)	(145,053)	-	(1,430,097)
Cash payments for purchased services	(26,486)	(430)	(926)	(27,842)
Cash payments for supplies and materials	(1,173,702)	(9,936)	(1,009)	(1,184,647)
Cash payments for other expenses	<u>(366,827)</u>	<u>(4,165)</u>	<u>(439)</u>	<u>(371,431)</u>
Net cash provided (used) by operating activities	<u>(2,432,271)</u>	<u>(6,065)</u>	<u>(1,892)</u>	<u>(2,440,228)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	<u>(235,294)</u>	-	-	<u>(235,294)</u>
Net cash provided (used) by capital and related financing activities	<u>(235,294)</u>	-	-	<u>(235,294)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipt of interest	39,529	863	120	40,512
Receipt of grants	<u>2,231,971</u>	-	-	<u>2,231,971</u>
Net cash provided (used) by investing activities	<u>2,271,500</u>	<u>863</u>	<u>120</u>	<u>2,272,483</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(396,065)	(5,202)	(1,772)	(403,039)
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2007</b>	<u>964,161</u>	<u>21,882</u>	<u>3,142</u>	<u>989,185</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2008</b>	<u>\$ 568,096</u>	<u>\$ 16,680</u>	<u>\$ 1,370</u>	<u>\$ 586,146</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$(2,538,090)	\$ (9,834)	\$(1,815)	\$(2,549,739)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Depreciation	67,124	-	-	67,124
Changes in assets and liabilities:				
Accounts receivable	(1,965)	4,266	-	2,301
Inventory	(22,920)	-	-	(22,920)
Accounts payable	<u>63,580</u>	<u>(497)</u>	<u>(77)</u>	<u>63,006</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
Year Ended June 30, 2008

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$(2,432,271)</u>	<u>\$(6,065)</u>	<u>\$(1,892)</u>	<u>\$(2,440,228)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Donated commodities received from federal government				<u>\$ 151,233</u>
On-behalf payments from state government				<u>\$ 175,963</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2008

ASSETS

AGENCY

CURRENT ASSETS

Cash and cash equivalents

Receivables

TOTAL ASSETS

\$ 349,878

6,949

\$ 356,827

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable

Due to students

TOTAL LIABILITIES

\$ 13,664

343,163

356,827

NET ASSETS

\$ -

The accompanying notes are an integral part of these financial statements.



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

REPORTING ENTITY

The Whitley County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Whitley County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Whitley County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION

The Whitley County Board of Education resolved to authorize the establishment of the Whitley County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Whitley County Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 41 through 43. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- (B) The Day Care Fund is used to account for the day care operations of the District.
- (C) The Community Education Fund is used to account for community education provided by the District.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net assets and governmental funds balance sheet. In both the government-wide and governmental fund statements, taxes received that are "intended to finance" a future period are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net assets and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 with the exception of assets acquired with Technology Funds, for which there is no threshold, and have a useful life of less than 1 year.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both capital assets and proprietary fund assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Other	10 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who

WHITLEY COUNTY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded. For proprietary funds, the entire amount of compensated absences is recorded as an expense and liability of the fund.

ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The District recognizes as revenues and expenses contributions made by the State of Kentucky for health insurance and flexible spending accounts on behalf of the District's employees. In fiscal year 2008, the State made contributions of \$6,614,814, consisting of \$6,415,107 for governmental funds and \$199,707 for proprietary funds.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

GOVERNMENTAL FUND BALANCE RESERVES

The District records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore not available for appropriation. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods. Reservations of fund balance are established for encumbrances and supplies inventory.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and tuition and fees charged for the day-care operations.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2008, the carrying amount of the District's deposits (cash and certificates of deposit) was \$8,137,135 and the bank balance was \$10,501,779. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Community Trust Bank, Wachovia Bank, Bank of New York, First and Farmers Bank and First National Bank of Columbia.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$13,600,000.
- c. Largest cash, savings and time deposit combined account balance amounted to \$13,836,482 and occurred during the month of July 2007.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$100,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- Category 1      Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name.
- Category 2      Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3      Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1, 2 and 3.

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the levy for the 2008 fiscal year was based, was \$589,666,656. The tax rates assessed for the year ended June 30, 2008 to finance general fund operations were \$.386 per \$100 valuation for real property and \$.438 per \$100 valuation for tangible property. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2008 were seventy-three percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

At June 30, 2008, the components of taxes receivable were as follows:

Motor vehicle tax	\$ 85,573
General property tax	40,352
Delinquent property tax	2,365
Minerals tax	4,402
Utility tax	86,437
Omitted property tax	2,226
	<u>\$ 221,355</u>



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>GOVERNMENTAL ACTIVITIES</b>				
Construction in progress	\$ 7,603,832	\$(5,270,304)	\$ -	\$ 2,333,528
Land	745,839	-	-	745,839
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	34,923,885	9,271,700	-	44,195,585
Technology equipment	3,550,413	652,089	193,760	4,008,742
Vehicles	5,212,315	685,172	-	5,897,487
General equipment	1,804,340	456,912	11,345	2,249,907
Infrastructure	218,074	-	-	218,074
Totals at cost	<u>55,475,455</u>	<u>5,795,569</u>	<u>205,105</u>	<u>61,065,919</u>
Less accumulated depreciation:				
Land improvements	(967,443)	-	65,665	(1,033,108)
Buildings and improvements	(11,062,026)	-	741,847	(11,803,873)
Technology equipment	(2,504,628)	182,114	409,580	(2,732,094)
Vehicles	(3,882,641)	-	307,075	(4,189,716)
General equipment	(699,156)	5,216	131,497	(825,437)
Infrastructure	(28,745)	-	10,298	(39,043)
Total accumulated depreciation	<u>(19,144,639)</u>	<u>187,330</u>	<u>1,665,962</u>	<u>(20,623,271)</u>
Governmental activities capital assets, net	<u>\$ 36,330,816</u>	<u>\$ 5,982,899</u>	<u>\$ 1,871,067</u>	<u>\$ 40,442,648</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Food service equipment	\$ 1,044,458	\$ 232,955	\$ 25,842	\$ 1,251,571
Technology equipment	55,463	2,339	-	57,802
Totals at cost	<u>1,099,921</u>	<u>235,294</u>	<u>25,842</u>	<u>1,309,373</u>
Less accumulated depreciation:				
Food service equipment	(760,294)	23,639	64,481	(801,136)
Technology equipment	(50,222)	-	2,643	(52,865)
Total accumulated depreciation	<u>(810,516)</u>	<u>23,639</u>	<u>67,124</u>	<u>(854,001)</u>
Business-type activities capital assets, net	<u>\$ 289,405</u>	<u>\$ 258,933</u>	<u>\$ 92,966</u>	<u>\$ 455,372</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,198,804
Support services:	
Student	28,843
Instructional staff	13,589
District administration	46,196
School administration	12,750
Business	2,341
Plant operation and management	56,820
Student transportation	303,127
Central office	2,922
Community services activities	570
Total governmental activities	<u>\$ 1,665,962</u>

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
1997	\$ 2,910,000	4.1% to 4.6%
1998	4,420,000	4.5% to 4.625%
2002A	7,915,000	3.15% to 4.8%
2002B	2,045,000	1.75% to 4.125%
2004	1,055,000	1.00% to 3.25%
QZAB 2002	498,801	0%
QZAB 2003	500,000	0%
2006	6,425,000	4.0% to 4.15%
2007	3,265,000	4.05%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Whitley County Fiscal Court and the Whitley County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

In 2007, the District issued \$3,265,000 of School Building Revenue Bonds to finance construction of an addition to Oak Grove Elementary School.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

Year	Kentucky School Facility Construction Commission		Whitley County School District		Total
	Principal	Interest	Principal	Interest	
2008-09	\$ 608,224	\$ 281,762	\$ 706,776	\$ 735,038	\$ 2,331,800
2009-10	637,760	255,843	727,240	708,167	2,329,010
2010-11	507,529	228,538	762,471	679,604	2,178,142
2011-12	361,622	206,958	793,378	647,844	2,009,802
2012-13	368,682	192,155	836,318	614,860	2,012,015
2013-14	358,282	177,247	826,718	586,727	1,948,974
2014-15	352,747	162,451	862,253	552,592	1,930,043
2015-16	367,841	147,358	907,159	513,283	1,935,641
2016-17	383,586	131,613	946,414	471,459	1,933,072
2017-18	400,008	115,191	1,488,793	427,198	2,431,190
2018-19	376,778	98,994	1,538,222	380,681	2,394,675
2019-20	266,212	85,961	1,083,788	338,529	1,774,490
2020-21	276,859	75,313	1,133,141	287,442	1,772,755
2021-22	287,934	64,238	1,192,066	233,507	1,777,745
2022-23	299,595	52,577	795,405	167,274	1,314,851
2023-24	311,879	40,293	828,121	134,501	1,314,794
2024-25	324,743	27,428	865,257	100,320	1,317,748
2025-26	338,139	14,033	896,861	64,721	1,313,754
2026-27	-	-	945,000	19,946	964,946
2027-28	-	-	20,000	405	20,405
	<u>\$ 6,828,420</u>	<u>\$ 2,357,953</u>	<u>\$ 18,155,381</u>	<u>\$ 7,664,098</u>	<u>\$ 35,005,852</u>

In 2005, the District entered into negotiations for the purchase of five school buses. Bonds were issued in the amount of \$353,214 through the KISTA Bond Pool Sizing Series of 2005. Interest rates range from 3.0% to 3.625%.

The minimum obligations of the District at June 30, 2008 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Total
2008-09	\$ 33,799	\$ 8,128	\$ 41,927
2009-10	34,820	7,114	41,934
2010-11	35,841	6,069	41,910
2011-12	36,863	4,949	41,812
2012-13	38,163	3,705	41,868
2013-14	32,684	2,369	35,053
2014-15	33,799	1,225	35,024
	<u>\$ 245,969</u>	<u>\$ 33,559</u>	<u>\$ 279,528</u>

Bond principal in the amount of \$32,777 was paid during the current fiscal year.

WHITLEY COUNTY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)**

In 2007, the District entered into negotiations for the purpose of computer equipment. A non-interest bearing technology loan in the amount of \$499,080 was obtained through the KISTA New Market Tax Credit Program, and is shown as lease obligations in the accompanying financial statements.

Loan principal in the amount of \$99,816 was paid during the current fiscal year, which includes coal severance funds in the amount of \$72,127 awarded to the District to assist with the scheduled payments. Coal severance funds are only guaranteed for two years; however, it is anticipated that additional funds will be appropriated in future years. The assets under capital lease are being depreciated. This depreciation is included in total depreciation expense allocated to governmental functions.

The minimum obligations at June 30, 2008 for the lease obligation is as follows:

<u>Year</u>	<u>District</u>	<u>Coal Severance</u>	<u>Total</u>
2008-09	\$ 63,752	\$ 36,064	\$ 99,816
2009-10	99,816	-	99,816
2010-11	99,816	-	99,816
2011-12	49,908	-	49,908
	<u>\$ 313,292</u>	<u>\$ 36,064</u>	<u>\$ 349,356</u>

**NOTE 7 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund is based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund, however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

WHITLEY COUNTY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 7 – RISK MANAGEMENT (CONTINUED)**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

**NOTE 8 – RETIREMENT PLANS**

Certified employees are covered under the Kentucky Teachers Retirement System ("KTRS"). Funding for the Plan is provided through payroll withholdings of 9.855% and matching state contributions of 13.105%. The matching contributions are paid by the Federal programs for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 16.17% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$26,889,764. The payroll for employees covered under KTRS was \$19,958,541 and for CERS was \$6,495,561. The state contributions to KTRS were \$2,299,515.

The contribution requirement for CERS for the year ended June 30, 2008 was \$1,374,759, which consisted of \$1,050,851 from the Board and \$323,908 from the employees. The Board paid \$316,052 from federal grant monies to KTRS in matching contributions for federally funded employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS <u>June 30, 2007</u>	CERS <u>June 30, 2007</u>
Assets available for benefits, at fair value	\$ 15,284,955,000	\$ 5,467,824,480
Pension benefit obligation	<u>21,254,974,000</u>	<u>6,659,446,126</u>
(Underfunded) overfunded pension benefit obligations	<u>\$ (5,970,019,000)</u>	<u>\$(1,191,621,646)</u>

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2007 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

WHITLEY COUNTY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 8 – RETIREMENT PLANS (CONTINUED)

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District provides a \$100.00 contribution to eligible participants.

NOTE 9 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Kayla Danielle Lawson, et. al. v. Whitley County Board of Education, et. al. - This is a lawsuit filed in Whitley Circuit Court by the parents of a student claiming personal injury, due to an incident that occurred during a Junior ROTC program practice activity with another Junior ROTC student. Thus far, the evidence strongly supports the school system in this matter and it is being contested by the board. The outcome looks favorable to the board.

Whitley County Middle School Student (H.B.) - This is a personal injury claim wherein a student alleges he was injured playing touch football with a group of other students during break. This case is not in litigation and is being investigated by the board's insurance carrier and the Superintendent. Thus far, the outcome looks favorable to the board.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 10 – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

NOTE 11 – DEFICIT OPERATING/FUND BALANCES

The following fund had operations that resulted in a current year operating deficit, resulting in a corresponding reduction in fund balance:

Construction Fund	<u>\$ 104,054</u>
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WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2008

NOTE 12 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	51	1	Indirect costs	\$ 160,322
Operating	320	400	Debt service requirement	958,336
Operating	1	2	Matching	93,920
Operating	310	400	Debt service requirement	408,554
Operating	51	360	Capital projects	200,000
Operating	400	360	Bond proceeds	3,213,115
Operating	1	320	Capital projects	365,957

NOTE 13 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2008.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2008

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ 294,895	\$ 1,858,159	\$ 2,986,753	\$ 778,790	\$ 5,918,597
Other current assets	<u>157,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,900</u>
TOTAL ASSETS AND RESOURCES	<u>\$ 452,795</u>	<u>\$ 1,858,159</u>	<u>\$ 2,986,753</u>	<u>\$ 778,790</u>	<u>\$ 6,076,497</u>
LIABILITIES AND FUND BALANCES					
Construction contracts retainage	\$ -	\$ -	\$ 140,585	\$ -	\$ 140,585
Construction contracts payable	-	-	221,034	-	221,034
Matured coupons outstanding	-	-	-	112,685	112,685
Reserved for capital projects	452,795	1,858,159	2,625,134	-	4,936,088
Reserved for debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>666,105</u>	<u>666,105</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 452,795</u>	<u>\$ 1,858,159</u>	<u>\$ 2,986,753</u>	<u>\$ 778,790</u>	<u>\$ 6,076,497</u>



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2008

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ 327,986	\$ -	\$ -	\$ 327,986
Earnings on investments	-	-	180,884	39,650	220,534
Intergovernmental – state	<u>411,010</u>	<u>956,596</u>	<u>500,000</u>	<u>-</u>	<u>1,867,606</u>
<b>TOTAL REVENUES</b>	<u>411,010</u>	<u>1,284,582</u>	<u>680,884</u>	<u>39,650</u>	<u>2,416,126</u>
<b>EXPENDITURES</b>					
Payment of bonds	-	-	-	671,012	671,012
Payment of interest	-	-	-	695,878	695,878
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>3,998,053</u>	<u>-</u>	<u>3,998,053</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>3,998,053</u>	<u>1,366,890</u>	<u>5,364,943</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>411,010</u>	<u>1,284,582</u>	<u>(3,317,169)</u>	<u>(1,327,240)</u>	<u>(2,948,817)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	-	-	3,265,000	3,265,000
Bond discount	-	-	-	(16,325)	(16,325)
Bond issuance costs	-	-	-	(35,560)	(35,560)
Operating transfers in	200,000	365,957	3,213,115	1,366,890	5,145,962
Operating transfers out	<u>(408,554)</u>	<u>(958,336)</u>	<u>-</u>	<u>(3,213,115)</u>	<u>(4,580,005)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(208,554)</u>	<u>(592,379)</u>	<u>3,213,115</u>	<u>1,366,890</u>	<u>3,779,072</u>
<b>NET CHANGES IN FUND BALANCES</b>	202,456	692,203	(104,054)	39,650	830,255
<b>FUND BALANCES, JULY 1, 2007</b>	<u>250,339</u>	<u>1,165,956</u>	<u>2,729,188</u>	<u>626,455</u>	<u>4,771,938</u>
<b>FUND BALANCES, JUNE 30, 2008</b>	<u>\$ 452,795</u>	<u>\$ 1,858,159</u>	<u>\$ 2,625,134</u>	<u>\$ 666,105</u>	<u>\$ 5,602,193</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
WHITLEY COUNTY HIGH SCHOOL  
Year Ended June 30, 2008

	Cash Balances <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>	Cash Balances <u>June 30, 2008</u>
ACCOUNTS:					
General	\$ 9,369	\$ 28,087	\$ 12,963	\$(17,746)	\$ 6,747
Pepsi	897	12,656	-	(5,500)	8,053
Academic Team	-	-	697	1,000	303
Art	213	995	801	-	407
Band	28	-	-	-	28
Beta Club	89	914	958	-	45
Cheerleaders	146	816	3,962	3,170	170
Choir	10	100	63	-	47
DECA	-	4,351	3,720	-	631
FBLA	3	2,510	1,959	-	554
FFA	7,264	16,626	20,117	-	3,773
FCCLA	648	10,795	7,970	(93)	3,380
Horticulture	10,117	3,858	4,087	-	9,888
Parking	527	1,580	-	-	2,107
Library	74	-	-	-	74
Science/Math Club	840	-	62	-	778
Seniors	1,473	15,449	18,057	2,325	1,190
Textbooks	-	1,612	87	-	1,525
Vocational Foods	543	673	789	-	427
Yearbook	15,361	5,653	8,273	-	12,741
Dance	637	-	-	-	637
SADD	444	-	-	-	444
French	626	4,961	4,267	(746)	574
Football	92	20,430	19,584	5,000	5,938
Boys Basketball	1,873	8,322	9,193	-	1,002
Girls Basketball	4,108	7,123	7,252	1,000	4,979
Baseball	48	851	3,375	2,476	-
Softball	2,901	-	2,117	-	784
Track	3,073	3,650	5,589	-	1,134
Lockers	654	4,435	2,000	-	3,089
Pep	1	2,492	1,442	(220)	831
TMH	58	1,500	1,012	-	546
JROTC	3,563	7,597	4,718	250	6,692
Teacher's Pepsi	5,717	5,767	9,698	-	1,786
Tennis	2,424	4,739	6,266	3,000	3,897
Special Olympics	1,262	1,100	119	-	2,243
FEA	2,402	2,956	3,656	(274)	1,428
CATS	3,898	2,000	6,568	5,675	5,005
Special Events	-	27,866	12,473	(2,250)	13,143
Transportation	11,390	-	1,219	1,333	11,504
STLP	69	-	-	-	69
Boys Golf	496	-	275	500	721
Girls Golf	500	-	1,492	1,100	108

Accounts Receivable June 30, <u>2008</u>	Accounts Payable June 30, <u>2008</u>	Fund Balances June 30, <u>2008</u>
\$ 267	\$ 4,193	\$ 2,821
2,511	-	10,564
-	-	303
-	-	407
-	-	28
-	-	45
-	-	170
-	-	47
-	-	631
-	554	-
-	1,776	1,997
-	149	3,231
-	-	9,888
-	-	2,107
-	-	74
-	-	778
-	-	1,190
-	-	1,525
-	-	427
-	-	12,741
-	-	637
-	-	444
-	-	574
-	-	5,938
-	1,002	-
-	-	4,979
-	-	-
2,117	-	2,901
-	-	1,134
-	-	3,089
-	-	831
-	-	546
-	-	6,692
548	-	2,334
-	-	3,897
-	-	2,243
-	-	1,428
-	-	5,005
479	-	13,622
-	-	11,504
-	-	69
-	-	721
-	-	108

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)  
WHITLEY COUNTY HIGH SCHOOL  
Year Ended June 30, 2008

	Cash Balances <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	Interfund <u>Transfers</u>	Cash Balances <u>June 30, 2008</u>
ACCOUNTS:					
AP Government	33	-	-	-	33
NHS	508	497	-	-	1,005
Volleyball	1,105	1,583	2,494	-	194
Bible class	100	-	-	-	100
Project TLC	-	225	-	-	225
Colonel Players	-	4,136	-	-	4,136
Wrestling	-	225	200	-	25
Totals	<u>\$ 95,584</u>	<u>\$ 219,130</u>	<u>\$ 189,574</u>	<u>\$ -</u>	<u>\$ 125,140</u>

Accounts Receivable June 30, <u>2008</u>	Accounts Payable June 30, <u>2008</u>	Fund Balances June 30, <u>2008</u>
-	-	33
-	-	1,005
-	-	194
-	-	100
-	-	225
-	-	4,136
-	-	25
<u>\$ 5,922</u>	<u>\$ 7,674</u>	<u>\$ 123,388</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS  
Year Ended June 30, 2008

	<u>Cash Balances</u> <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund</u> <u>Transfers</u>	<u>Cash Balances</u> <u>June 30, 2008</u>
WHITLEY COUNTY MIDDLE SCHOOL					
All funds	<u>\$ 82,681</u>	<u>\$ 135,664</u>	<u>\$ 135,300</u>	<u>\$ -</u>	<u>\$ 83,045</u>
OAK GROVE ELEMENTARY SCHOOL					
All funds	<u>\$ 36,172</u>	<u>\$ 58,436</u>	<u>\$ 60,200</u>	<u>\$ -</u>	<u>\$ 34,408</u>
WHITLEY COUNTY NORTH ELEMENTARY SCHOOL					
All funds	<u>\$ 31,280</u>	<u>\$ 37,240</u>	<u>\$ 40,791</u>	<u>\$ -</u>	<u>\$ 27,729</u>
POPLAR CREEK ELEMENTARY SCHOOL					
All funds	<u>\$ 8,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,522)</u>	<u>\$ -</u>
PLEASANT VIEW ELEMENTARY SCHOOL					
All funds	<u>\$ 6,776</u>	<u>\$ 20,727</u>	<u>\$ 19,029</u>	<u>\$ -</u>	<u>\$ 8,474</u>
WHITLEY COUNTY CENTRAL PRIMARY SCHOOL					
All funds	<u>\$ 12,062</u>	<u>\$ 54,836</u>	<u>\$ 50,350</u>	<u>\$ -</u>	<u>\$ 16,548</u>
BOSTON ELEMENTARY SCHOOL					
All funds	<u>\$ 4,483</u>	<u>\$ 9,267</u>	<u>\$ 10,968</u>	<u>\$ -</u>	<u>\$ 2,782</u>
NEVISDALE ELEMENTARY SCHOOL					
All funds	<u>\$ 4,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,044)</u>	<u>\$ -</u>
ROCKHOLDS OPPORTUNITY CENTER					
All funds	<u>\$ 2,738</u>	<u>\$ 4,402</u>	<u>\$ 592</u>	<u>\$ -</u>	<u>\$ 6,548</u>
WHITLEY COUNTY INTERMEDIATE SCHOOL					
All funds	<u>\$ 30,404</u>	<u>\$ 36,227</u>	<u>\$ 34,228</u>	<u>\$ -</u>	<u>\$ 32,403</u>
WHITLEY COUNTY EAST ELEMENTARY SCHOOL					
All funds	<u>\$ -</u>	<u>\$ 33,120</u>	<u>\$ 32,885</u>	<u>\$ 12,566</u>	<u>\$ 12,801</u>

Accounts Receivable June 30, <u>2008</u>	Accounts Payable June 30, <u>2008</u>	Fund Balances June 30, <u>2008</u>
<u>\$ 736</u>	<u>\$ 4,313</u>	<u>\$ 79,468</u>
<u>\$ 139</u>	<u>\$ -</u>	<u>\$ 34,547</u>
<u>\$ -</u>	<u>\$ 245</u>	<u>\$ 27,484</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 93</u>	<u>\$ -</u>	<u>\$ 8,567</u>
<u>\$ -</u>	<u>\$ 51</u>	<u>\$ 16,497</u>
<u>\$ 59</u>	<u>\$ 245</u>	<u>\$ 2,596</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,548</u>
<u>\$ -</u>	<u>\$ 1,080</u>	<u>\$ 31,323</u>
<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 12,745</u>

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
SPECIAL EDUCATION CLUSTER				
Special Education – Grants to States	84.027	3810002-07	\$ 948,717	\$ 714,588 *
Special Education – Grants to States	84.027	3810002-06	945,103	387,302 *
Special Education – Preschool Grants	84.173	3800002-07	41,536	41,536 *
Total Special Education Cluster				<u>1,143,426</u>
Title I Grants to Local Educational Agencies	84.010	3100002-07	2,064,196	1,689,732 *
Title I Grants to Local Educational Agencies	84.010	3100002-07	100,023	99,870 *
Title I Grants to Local Educational Agencies	84.010	3100002-06	2,179,278	228,798 *
Title I Grants to Local Educational Agencies	84.010	3100202-06	92,920	47,302 *
Title I Grants to Local Educational Agencies	84.010	3100202-07	50,766	50,766 *
Title I Grants to Local Educational Agencies	84.010	3100202-06	50,766	38,577 *
Title I Grants to Local Educational Agencies	84.010	3100202-05	44,170	17,712 *
Education for Homeless Children and Youth	84.196A	3990002-07	43,938	32,849
Education for Homeless Children and Youth	84.196	3990001-06	44,000	10,455
State Grants for Innovative Programs	84.298	3500002-07	9,029	7,506
State Grants for Innovative Programs	84.298	3500002-06	9,154	667
Improving Teacher Quality State Grants	84.367	3230002-07	419,102	419,102
Improving Teacher Quality State Grants	84.367	3230002-06	421,956	22,596
English Language Acquisition Grant	84.365	3300002-06	10,116	3,311
Safe and Drug-Free Schools and Communities – State Grants	84.186	3410002-07	37,348	37,348
Safe and Drug-Free Schools and Communities – State Grants	84.186	3410002-06	37,802	3,572
Vocational Education – Basic Grants to States	84.048	4620832-07	65,363	56,911
Vocational Education – Basic Grants to States	84.048	4620732-06	66,997	8,154
Vocational Education – Basic Grants to States	84.048	4620832-07	2,275	2,275
Vocational Education – Basic Grants to States	84.048	4620632-05	3,130	3,130
Education Technology State Grants	84.318	3210002-07	21,638	7,915
Education Technology State Grants	84.318	3210002-06	22,774	227
Education Technology State Grants	84.318	3210002-07	54,433	49,234
Adult Education – State Grant Program	84.002	36585	24,839	22,470
Adult Education – State Grant Program	84.002	3738	87,952	76,754
Adult Education – State Grant Program	84.002	3738S	5,920	4,023
Adult Education – State Grant Program	84.002	3737	72,351	67
Adult Education – State Grant Program	84.002	3737S	4,486	944
Early Reading First	84.359	6827	1,498,775	82,636
Twenty-First Century Community Learning Centers	84.287	3400002-07	125,000	31,923

\* Denotes major program



WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
Twenty-First Century Community Learning Centers	84.287	3400002-06	187,500	136,516
Twenty-First Century Community Learning Centers	84.287	3400002-06	5,000	5,000
Twenty-First Century Community Learning Centers	84.287	3400002-06	262,500	31,926
Twenty-First Century Community Learning Centers	84.287	3400002-06	5,000	5,000
Rural Education	84.358	3140002-07	139,135	63,591
Rural Education	84.358	3140002-06	135,210	91,170
Hurricane Impact Aid	84.938	4000002-05	1,500	500
Total U.S. Department of Education				<u>\$ 4,533,955</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through State Department of Education:				
Learn and Serve America – School and Community Based Programs	94.004	6755	3,000	\$ 522
Learn and Serve America – School and Community Based Programs	94.004	6752	10,000	487
Learn and Serve America – School and Community Based Programs	94.004	6750	6,000	1,655
Learn and Serve America – School and Community Based Programs	94.004	6752E	1,000	350
Total U.S. Department of Health and Human Services				<u>\$ 3,014</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
CHILD NUTRITION CLUSTER				
National School Breakfast Program	10.553	7760005-08	459,609	\$ 459,609 *
		7760005-07	120,299	120,299 *
National School Lunch Program	10.555	7750002-08	1,063,262	1,063,262 *
		7750002-07	291,790	291,790 *
Summer Food Service Program for Children	10.559	7740023-08	43,744	43,744 *
		7740023-07	19,407	19,407 *
		7690024-08	4,536	4,536 *
		7690024-07	2,005	2,005 *
Total Child Nutrition Cluster				<u>2,004,652</u>
Child and Adult Care Food Program	10.558	7790021-08	17,258	17,258
		7790021-07	5,743	5,743
Food Donation/Commodities Program	10.550	057502-02	151,233	151,233
Total U.S. Department of Agriculture				<u>\$ 2,178,886</u>

\* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
Year Ended June 30, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Labor</u>				
Passed through State Department of Education:				
WIA Youth Activities	17.259	5888A	52,500	\$ 51,422
WIA Youth Activities	17.259	5889A	1,003	1,003
Total U.S. Department of Labor				<u>\$ 52,425</u>
<u>U.S. Department of Justice</u>				
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	3008	150,449	<u>\$ 150,322</u>
Total U.S. Department of Justice				<u>\$ 150,322</u>
<u>National Oceanic and Atmospheric Administration</u>				
Congressionally Identified Awards and Projects	11.469	2707	5,000	300
Total National Oceanic and Atmospheric Administration				<u>\$ 300</u>
 Total Expenditures of Federal Awards				 <u>\$ 6,918,902</u>

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2008

SUMMARY OF AUDIT RESULTS

1. We have issued an unqualified opinion on the basic financial statements of the Whitley County School District.
2. No reportable conditions were disclosed in our audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No reportable conditions were disclosed in our audit of internal control over major programs.
5. We have issued an unqualified opinion on compliance for major programs.
6. The audit did not disclose any audit findings, which we are required to report under Section .510(a) of A-133.
7. The programs tested as major programs included:

	<u>CFDA</u>
Title I Grants to Local Educational Agencies	84.010
CHILD NUTRITION CLUSTER	
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
National School Breakfast Program	10.553
SPECIAL EDUCATION CLUSTER	
Special Education - Preschool Grants	84.173
Special Education Grants to States	84.027

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Whitley County School District was determined to be a low risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

WHITLEY COUNTY SCHOOL DISTRICT  
Williamsburg, Kentucky

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2008

NONE

# Marr, Miller & Myers, PSC

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Certified Public Accountants  
(606) 528-2454 (FAX 528-1770)

P.O. Box 663  
Corbin, Kentucky 40702

September 30, 2008

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

We have audited the financial statements of the Whitley County School District as of and for the year ended June 30, 2008, and have issued our report thereon dated September 30, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and state audit requirements.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitley County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements, that is more than inconsequential, will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

# Marr, Miller & Myers, PSC

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Whitley County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Marr, Miller & Myers, PSC*

Certified Public Accountants

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P.O. Box 663  
Corbin, Kentucky 40702

September 30, 2008

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

## Compliance

We have audited the compliance of the Whitley County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The Whitley County School District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Whitley County School District's management. Our responsibility is to express an opinion on the Whitley County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and state audit requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Whitley County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Whitley County School District's compliance with those requirements.

In our opinion, the Whitley County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in section 3(9)(a)-(w) of the Guide for Auditing Local School Districts' Fiscal Records that are required to be reported under Government Auditing Standards.

## Internal Control Over Compliance

The management of the Whitley County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Whitley County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Whitley County School District's internal control over compliance.

## Marr, Miller & Myers, PSC

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A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Marr, Miller & Myers, PSC*

Certified Public Accountants



# **Marr, Miller & Myers, PSC**

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P.O. Box 663  
Corbin, Kentucky 40702

September 30, 2008

Members of the Board of Education  
Whitley County School District  
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2008, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of no matters that are required to be noted and all prior year findings were corrected.

*Marr, Miller & Myers, PSC*

Certified Public Accountants